DOCUMENT RESUME

ED 409 762 HE 030 236

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TITLE Comments on the Future of Higher Education in California.
PUB DATE 7 Dec 95
NOTE 8p.; Testimony presented to a Hearing on the Master Plan for Higher Education: Past, Present, and Future, before the State of California Assembly Committee on Higher Education (Los Angeles, CA, December 7, 1995).
PUB TYPE Opinion Papers (120) -- Speeches/Meeting Papers (150)
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Access to Education; *Educational Change; Educational Economics; Educational Policy; *Financial Support; *Government Role; *Higher Education; Institutional Role; Private Colleges; *State Universities; Student Financial Aid; *Tuition
IDENTIFIERS *California

ABSTRACT

This testimony discusses the future of higher education funding in California, focusing on the need to move from a system of "free" state higher education to one in which individuals receive the degree of financial aid that they need. It argues that tuition at state universities should be raised to help provide more financial aid to those students less able to afford the cost of attending a university. The testimony also discusses the need to encourage private colleges and universities to increase enrollments to help relieve the pressure on the public system, mainly through financial aid, capital improvements, and tax incentives for donors to private institutions. It argues that large investments in physical facilities and university "cities" are no longer necessary, due to developments in distance learning and electronic communication, and that costly non-academic services divert money away from the essentials of a university, namely teaching and learning. The testimony also discusses the rise of "entrepreneurial universities" and open universities in competition with traditional, publicly-funded, campus-based institutions, and the need to reconsider the long-term public role of state governments in higher education. (MDM)

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Comments on the Future of Higher Education in California

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presented to a hearing on

The Master Plan for Higher Education: Past, Present, and Future

before the

State of California Assembly Committee on Higher Education

Davis Auditorium

University of Southern California

December 7, 1995

HE 030 236

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Comments on the Future of Higher Education in California

Nobody knows California as well as Californians, so I begin with a disclaimer: I have spent my professional life in Hawaii, and I only know California from visits, regional conferences, and my studies here at USC. Also, nobody knows politics as well as those immediately involved, and I am not immediately involved. However, as an educator and as an American, I care a great deal about what happens in California. I offer these comments in the hope that they may provoke ideas which might be useful in some way.

Toward a new Master Plan

The 1960 Master Plan was a tremendous success. Its marvelous balance of realism and idealism influenced the public system of higher education in California for 30 years--a very long time for any plan. The economics and demographics of the State have changed so much, however, that the Master Plan is no longer tenable. It is time for a new Master Plan. The new Plan can and should include much of the old Plan, but there will have to be major differences because some of the major assumptions of the old Plan are no longer valid. It is time for a new generation to establish a new balance of realism and idealism that will serve the people of California in the coming decades.

From equality to justice

Providing "free" higher education to all Californians was a noble goal that is no longer economically realistic. It is therefore necessary to shift to another noble goal. Although there is not enough money to treat all individuals equally, giving them all "free" education, there can be enough money to treat all individuals justly, and give each of them *the degree of help they need.* Conceptually, this is easy to do. Raise tuition dramatically, and give back a portion of the increased revenues in the form of financial aid for the truly needy. Studies done in this area indicate that the result would be a net increase in revenue for the system.

A major shift of this kind must be explained to students, parents, and the general public in a way that is easy to understand and has a moral basis. For me, the explanation is that the "higher tuition, higher financial aid" model is based on a fundamental moral principle: Those who can afford it, should pay for it; those who cannot afford it, should be given help. This moral principle has religious and philosophical roots, and is found throughout American culture, in our progressive tax system, the support of donors for non-profit corporations which help the needy, and neighbors who help each other in times of need. Those who *have*, help those who *have not*.

There is another way to say this. Higher education will still be free for *those who can attend only if it is free*. All others will get help according to their needs. Those who can afford to pay the full tuition will still pay less than the true cost of the services available to them. Money received from the state and federal governments, foundations, corporations, and individual donations all help cover the costs of education, allowing tuition to remain below the true cost per student.

Mobilizing private institutions of higher education

The expected increase in students qualified to enter the California higher education system in the coming years is a serious concern. The numbers are daunting. One of the only quick fixes, it seems to me, is to provide incentives to the private institutions of higher education in California to expand their enrollments. Financial aid and capital improvements could be key factors in that expansion. Legislation could provide additional tax incentives for donors who contribute to the financial aid and capital improvements of private institutions. The incentives could be effective for a limited number of years, perhaps five years. That would be long enough to publicize the opportunity, cultivate donors, allow donors to spread their pledged donations over several years, and allow time to invest the funds in financial aid or capital improvements. Private institutions that have the physical capability and the financial aid to expand enrollments could help reduce the pressure on the state public system.

I realize that it may be difficult to analyze and project the impact of incentives on state tax revenues and expenditures. Donors may simply divert their typical annual donation budget to focus more on private higher education, or they may temporarily increase their annual donation budget, or they may give less than usual but obtain the same tax benefits because of the incentives. The policy goal, of course, would be to increase total donations and channel the increase to private higher education during the time period for which the incentives are available.

Education is a conversation, not a campus

Raising tuitions and mobilizing the private sector can make a major dent in the financial and enrollment challenges, but my guess is that these steps will not be enough. We will have to rethink what higher education is, and what a university is, and restructure accordingly.

I believe that the essence of learning at a college or university is the conversation between students and faculty. Students need to work closely with faculty to learn how to transform information into knowledge, and apply values so that the knowledge becomes wisdom. The quality of the university depends on the quality of the conversation

between faculty and students.

The quality of the conversation between the faculty and students has very little to do with a university's physical campus or facilities. In this regard, it is helpful to remember how universities started. The first universities in Medieval Europe, 800 years ago, consisted of students gathered around Masters. Initially, they had no equipment, no libraries, no campus. The words "universitas" and "collegium" mean "a collectivity, corporation, or any organic group or gild." Universities were people, not buildings. They were human communities, not capital improvement projects. Masters and students could-- and occasionally did-- pick up and leave the town where they were teaching and learning, if the town was not treating them well.

The "university city"

By contrast, during the past century in the United States, many universities have become cities unto themselves-- nearly self-contained islands apart from the surrounding city or countryside. The bigger the universities have become, the more urban responsibilities they have assumed-- constructing and maintaining their own utilities, residence halls, meeting halls, office buildings, theaters, food services, health services, recreational facilities, and athletic fields. Often, these services duplicate services which are available in the surrounding community.

The pendulum has swung far. Today, many people think of a university as a campus, a physical place. Some prestigious universities have big buildings and Olympic swimming pools, but very little interaction between students and faculty. The teaching is done by graduate students, and undergraduates can rarely get an appointment to engage in a dialogue with a senior faculty member. The emphasis is on the buildings, not the people.

The pendulum will swing again, because the university with a big campus and many student services will have some disadvantages. A big campus is very expensive, generating a need for immense capital investments and high operating expenditures. Older students are growing in number and percentage of all students, and since most of them have regular jobs and homes, they do not need residence halls, food services, health services, or activities programs-- they just need *academic* services. Students and faculty in urban areas do not enjoy traveling to a big urban campus, finding a parking place, and traveling home afterwards-- it takes too much time and is too much trouble. Distance learning programs, including print material, videos, CD-ROMs, discussions on e-mail, and Internet access mean that it is no longer *necessary* to go to campus for lectures or research. Faculty themselves do not interact with each other very much on the big campuses-- they interact more with faculty in their disciplines, who are often at other

institutions. These trends suggest that big campuses will be a financial liability in the future. My guess is that we will not be building a lot more of them in America in the coming decades.

Costly non-academic services

Universities today provide a lot of services which are not directly related to academic work. A 1994 report from the National Center for Education Statistics of the U.S. Department of Education gave a breakdown of current fund expenditures of institutions of higher education throughout the country. The report stated that in 1991-92, only 31 percent of the money spent by higher education institutions was spent on "instruction." Research was 9 percent, and academic support, including libraries, was another 7 percent. The remaining 53 percent was spent on public service, student services, institutional support, the operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, independent operations, and university hospitals. These are all good things, but many are what I would call "university city services" that could be provided by others.

The key to high quality higher education in the future is to focus on the quality of the student-teacher relationship. Spend money on academic teaching and learning, and very little else. Many of the other things are useful and important, but not *essential*.

The emphasis on teaching and academic services will be the right emphasis, even when the role of faculty changes dramatically in the future. Access to information through the Internet-- especially the full text of books and articles-- will mean that professors, lectures, and libraries will be less important as sources of information. However, faculty will be extremely important as mentors, counselors, and advisors, sharing their values and their wisdom, helping students to think critically about information. This is something which faculty can do on the phone, by e-mail, in a coffee shop, a home, or a public park. The key will still be student access to the faculty-- not a physical campus, and not a broad range of services which are non-academic and can be provided by others in the local community.

There is always pressure to do more. Also, it is hard to stop doing something that is useful and important, even if it is not essential. However, the time will come when only the essential will be affordable.

Adding something new

In the past, higher education has changed by adding new types of institutions, not by reforming existing ones. The early American college would not change its mission, so

Land Grant institutions had to be established for agriculture and the mechanical arts. Then we added German universities, often on top of existing colleges, to enhance our research capabilities. These institutions could not, or did not want to, meet the needs of all the people, so we expanded the role of the community college, which enjoyed explosive growth in the 1960's and 1970's. Rather than changing the institutions we had, we started new ones to fill new needs or niches.

One way to look at the future, then, is to ask: What kinds of institutions are we going to add to meet new needs? The answer is most likely to be institutions which avoid having expensive main campuses and student services, teach at dispersed sites, and take advantage of e-mail and the Internet for communication and information.

We are already seeing growth in what I call "the entrepreneurial university" as well as the open university. These two types of university can focus on quality teaching, a high level of interaction between students and faculty, and customized programs to meet individual needs. They can cost less than a traditional university with a big campus, because they do not spend money on a campus.

The single most important factor that will allow innovation in the delivery of educational services will be a change of focus in accreditation. Traditionally, accreditation commissions have been focused on inputs-- how many books in the library, how many Ph.D.'s on the faculty, how many buildings, how much money in the bank. The accrediting agency in our region, the Western Association of Schools and Colleges, has proposed to shift its focus from inputs to outputs-- to learning outcomes. If entrepreneurial and open universities focus heavily on assessment, and are able to prove the positive learning outcomes of their students, they will receive accreditation support, and they will continue to grow.

Spin-offs in the future?

It may be unthinkable now, but the day may come when portions of the California public higher education system will be spun off to private, non-profit corporations. It is startling to me that less than half of the revenues received by public higher education institutions, taken as a whole, come from state and federal governments. In 1991-92, the federal government provided 10.6 percent of the revenues of public institutions of higher education, and the states provided 38.3 percent, for a combined total of 48.9 percent. We call them state universities because their state governments are directly or indirectly responsible for them, but those state governments are now minority shareholders.

Higher education can be available, and students can find the opportunities they need, without the control or nominal sponsorship of the state government. It is interesting

that the federal government has stayed one step away from direct responsibility for higher education. There are no federal or "national" universities in the United States, and there is no national ministry of education that monitors or controls public and private universities, as in Japan or France. Instead, the federal government has focused on funding financial aid and research. At some point, state governments may wish to step back from their position of control or sponsorship and focus on the same things--financial aid for justice and access, and funding for research which supports the California economy, job creation, and the academic infrastructure needed to attract and keep major industries. The state government can make sure that the job gets done, without having to do the job itself.

Conclusion

When I read about the budget crisis in California and the cuts in the university system, I feel great sympathy for the students, faculty, administrators, and state political leaders who are struggling to respond to the new economics with vision and courage. Big challenges require big solutions, and big solutions usually require a different way of looking at the problems. As you know far better than I, California is facing decisions in higher education that are on a scale that nobody in America has ever faced before. There is more at stake here in California than has ever been at stake before in higher education in this country.

California led the nation 30 years ago with its Master Plan for higher education. It is time for California to generate a new Master Plan, based on the new economic realities. My recommendations are to: (1) raise both tuition and financial aid, to give each student justice instead of equality; (2) mobilize the private sector with donor incentives for financial aid and capital improvements; (3) redefine higher education and universities in order to focus on the academic conversation, not non-academic services, and build student-faculty relations, not campuses; and (4) reconsider the long-term public role of the state government in higher education, especially since state universities are no longer funded primarily by state governments.

Thank you for the opportunity to provide these comments.

Kent M. Keith has been an attorney, the Director of Planning and Economic Development for the State of Hawaii, the developer of a high tech park for Castle & Cooke (Dole Food Company) on Oahu, and president of Chaminade University of Honolulu. He is currently a full-time graduate student in the doctoral program in educational leadership at the University of Southern California.